Central American Free Trade Agreement

ETHANOL PROVISIONS

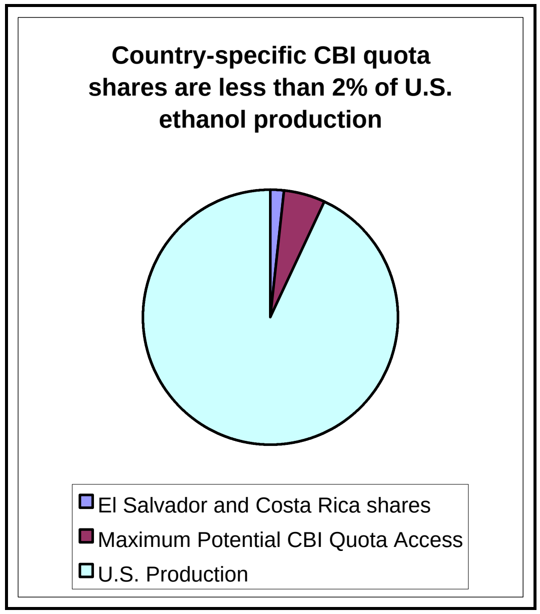
- The Central American Free Trade Agreement (CAFTA) ***does not increase overall access*** to the U.S. ethanol market.

- Under the Caribbean Basin Initiative (CBI), countries in Central America and the Caribbean have had ***duty-free access to the United States since 1989*** for ethanol from regional feedstocks. Access for ethanol derived from non-regional feedstocks has been ***limited by a CBI quota equal to 7% of total U.S. ethanol consumption***.

- CAFTA simply establishes country-specific shares for El Salvador and Costa Rica within the existing CBI quota, ***without increasing the quota size.*** Other CAFTA countries retain existing CBI benefits on ethanol.

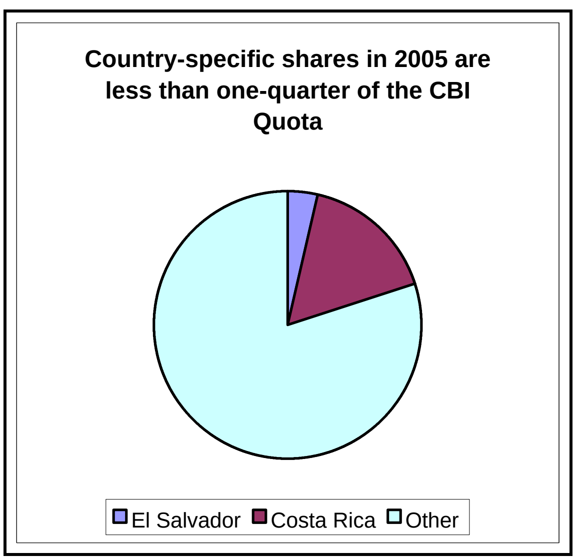
- Strict rules-of-origin ***prevent transshipment of ethanol*** from other countries.

- The country-specific shares for Costa Rica and El Salvador will have the effect of ***limiting the overall CBI quota available*** to other countries in the Caribbean and Central America.



- Costa Rica, El Salvador, and Jamaica are the only countries that have ever exported ethanol under the CBI quota, and ***at least 50% of the quota typically goes unused***.

- Between 1995 and 2004, ***U.S. ethanol consumption grew an average of 11% per year***.



Ethanol Production and Imports (2002)

U.S. Production: 2.3 billion gal.
U.S. Imports: 141 million gal.
CBI Quota: 120 million gal.
In-quota Imports: 48 million gal.
--From El Salvador: 4.5 million gal.
--From Costa Rica: 12 million gal.

CAFTA Shares:

El Salvador: 5.2 million gallons plus 1.3 million gallons per year, not to exceed 10% of quota.
Costa Rica: 31 million gallons.

CBI Quota (2004): 187 million gallons
Avg. Quota Growth: 11% per year ('95-'04)